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**GRANISLE
COPPER
LIMITED**

**ANNUAL
REPORT
1968**

FRONT COVER

A view of the Granisle plant and mine, located on Copper Island in Babine Lake, British Columbia.

GRANISLE COPPER LIMITED

DIRECTORS

J. H. Colton	W. G. Lane
M. A. Cooper	R. M. MacRae
T. G. Ewart	H. R. Malkin
J. H. Hawke	P. R. Matthew
K. Kawakami	L. T. Postle

OFFICERS

L. T. Postle	President
R. M. MacRae	Vice-President
P. R. Matthew	Vice-President
J. H. Colton	Secretary and Treasurer
J. D. Balden	Assistant Treasurer

MANAGER

G. B. Hardwicke

TRANSFER AGENT AND REGISTRAR

National Trust Company Limited
Vancouver, Winnipeg, Toronto and Montreal

SHARES LISTED

Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS

Peat, Marwick, Mitchell & Co.
Vancouver, British Columbia

HEAD OFFICE

1111 West Georgia Street, Vancouver
British Columbia

GRANISLE COPPER LIMITED

February 27, 1969

To the Shareholders:

We are pleased to report that your Company retired all of its indebtedness during 1968 and the first dividend was paid to shareholders in December. This accomplishment has been very gratifying to all concerned with the Company. Details of the Company's production for the year, compared with 1967, are:

	1968	1967
Tons Ore Treated	2,230,210	1,943,656
Average Tons Treated per Day	6,093	5,325
Copper Content (%)	0.68	0.78
Tons Waste Removed	877,316	399,886
Saleable Metal Produced:		
Copper (Lbs.)	25,138,750	24,630,823
Gold (Ounces)	14,128	15,578
Silver (Ounces)	131,883	144,326
Average Copper Price Received per Lb.	54.93c	52.25c

At the year end, ore reserves amounted to 17.9 million tons containing .50% copper. It is expected that the ore to be treated in 1969 will contain .61% copper.

No further exploratory drilling was done during 1968 but studies of data from the original drilling are being carried out. Present indications are that it may prove possible to mine an additional 9 million tons.

During 1968, nine new residences were built at the town of Granisle and further improvements were made to townsite facilities.

A new union agreement terminating December 31, 1971 was negotiated with the United Steelworkers of America, representing the employees of the Company.

The Directors wish to express their appreciation for the co-operation and efforts of the employees, who have contributed so greatly to the success of the Company.

On behalf of the Board,
L. T. POSTLE, President.

GRANISLE COPPER LIMITED

BALANCE SHEET

December 31, 1968

(With comparative figures for 1967)

	ASSETS	
	1968	1967
Current assets:		
Cash and short-term bank deposits	\$ 521,743	\$ 385,515
Accounts receivable	13,447	10,528
Metals in concentrates, at estimated realizable values	2,721,313	2,589,437
Materials and supplies, at cost	749,722	682,981
Prepaid expenses	18,398	61,442
 Total current assets	 4,024,623	 3,729,903
Special refundable tax	115,844	115,830
Refundable power deposit (Note 1)	552,500	552,500
Property, plant and equipment:		
Mining and other properties, buildings and equipment, at cost	11,882,793	11,118,373
Less accumulated depreciation (Note 2)	2,419,556	1,314,774
 Net property, plant and equipment	 9,463,237	 9,803,599
Mine development and pre-production expenditure, less amortization (Note 2)	1,373,419	1,851,385
 \$15,529,623	 <u>\$16,053,217</u>	

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued charges	\$ 476,939	\$ 581,964
Special refundable tax payable	—	98,000
 Total current liabilities	 476,939	 679,964
Deferred liabilities	—	6,534,588
Shareholders' equity:		
Share capital:		
Shares of no par value. Authorized 4,000,000 shares; issued 3,329,919 shares	2,594,982	2,594,982
Earned surplus, per accompanying statement	12,457,702	6,243,683
 Total shareholders' equity	 15,052,684	 8,838,665
 \$15,529,623	 <u>\$16,053,217</u>	

Approved on behalf of the Board:

L. T. Postle, Director

R. M. MacRae, Director

See accompanying notes to financial statements.

GRANISLE COPPER LIMITED

STATEMENT OF INCOME

Year ended December 31, 1968

(With comparative figures for 1967)

	1968	1967
Income:		
Value of production:		
Copper	\$13,331,165	\$12,869,133
Gold	534,661	624,893
Silver	276,497	251,970
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	14,142,323	13,745,996
Interest income	69,377	29,069
	<hr/>	<hr/>
	14,211,700	13,775,065
Expenses:		
Cost of production, including administration	\$5,396,453	\$5,224,083
Depreciation	1,106,664	1,461,848
Amortization of pre-production expenditure	477,966	477,966
Interest expense	184,118	683,064
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Net profit for the year	<u>\$ 7,046,499</u>	<u>\$ 5,928,104</u>

See accompanying notes to financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Granisle Copper Limited as of December 31, 1968 and the statements of income, earned surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia
January 31, 1969.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.

GRANISLE COPPER LIMITED

STATEMENT OF EARNED SURPLUS

Year ended December 31, 1968

(With comparative figures for 1967)

	1968	1967
Balance at beginning of year	\$ 6,243,683	\$ 315,579
Net profit for the year	7,046,499	5,928,104
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Less dividend paid of 25c per share	13,290,182	6,243,683
	832,480	—
Balance at end of year	<hr/>	<hr/>
See accompanying notes to financial statements.	<hr/>	<hr/>
	\$12,457,702	\$ 6,243,683

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1968

(With comparative figures for 1967)

	1968	1967
Funds provided by:		
Operations:		
Net profit for the year	\$ 7,046,499	\$ 5,928,104
Add depreciation, amortization and other charges not requiring cash expenditure	1,581,495	2,029,611
	<hr/>	<hr/>
Funds provided by operations	8,627,994	7,957,715
Disposal of equipment	6,527	210,454
Unsecured advances	—	100,000
Issue of share capital	—	600,000
	<hr/>	<hr/>
Total funds provided	8,634,521	8,868,169
Funds applied to:		
Purchase of buildings and equipment	769,694	462,773
Repayment of deferred liabilities	6,534,588	5,792,835
Refundable power deposit	—	252,500
Special refundable tax	14	115,830
Dividend paid	832,480	—
	<hr/>	<hr/>
Total funds applied	8,136,776	6,623,938
Increase in working capital	497,745	2,244,231
Working capital at beginning of year	3,049,939	805,708
	<hr/>	<hr/>
Working capital at end of year	<hr/>	<hr/>
Working capital:		
Current assets	\$ 4,024,623	\$ 3,729,903
Current liabilities	476,939	679,964
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Working capital at end of year	<hr/>	<hr/>
See accompanying notes to financial statements.	<hr/>	<hr/>

GRANISLE COPPER LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1968

1. REFUNDABLE POWER DEPOSIT:

Under an agreement with the British Columbia Hydro and Power Authority for the supply of electricity to the mine, the company has made deposits aggregating \$552,500. These deposits bearing interest at 5% will be refundable in equal annual instalments from November 1, 1970 through 1975.

2. DEPRECIATION AND AMORTIZATION:

Depreciation of the mine buildings and equipment has been calculated on the straight-line method at 8% on cost. Depreciation of the mobile equipment has been calculated on the diminishing-balance method at 30%. Amortization of pre-production expenditure has been calculated on the straight-line method at 20% as it is intended to amortize these costs over five years from November 16, 1966.

3. NET PROFIT FOR THE YEAR:

Under Section 83(5) of the Income Tax Act the company has been granted an exemption from Federal Income Tax on its mining profits for the three years ended November 30, 1969. Accordingly the depreciation and amortization provided by the company to December 31, 1968 of approximately \$3,700,000 has not been claimed as a deduction in computing income for Federal income tax. An exemption has also been obtained from Provincial mining taxes to November 30, 1969 under Section 3(6) of the Mining Tax Act of British Columbia.

4. ADMINISTRATION EXPENSES:

Remuneration of the directors and senior officers (as defined in the British Columbia Securities Act) amounted to \$122,550 in 1968.

5. Current assets in United States dollars have been converted at the approximate rate of exchange prevailing at December 31, 1968.

6. RETIREMENT PLAN:

During 1968 the company instituted a salaried Employees' Retirement Plan which became effective as of January 1, 1968. Under this plan, which is non-contributory, eligible employees may retire at the age of 65, or under certain circumstances, at an earlier age with a reduced pension. The plan is subject to discontinuance at any time. At December 31, 1968, the liability for past service benefits was approximately \$47,000 and this amount will be funded over a period of fifteen years from January 1, 1968.

